LAC

SUMMARY

A Review of the Family Independence Act 2008-2010

Introduction

The Family Independence Act (FIA) requires the Legislative Audit Council (LAC) to report every two years on the success and effectiveness of the policies and programs created under the act. This is our eighth report about the Family Independence (FI) program and the manner in which it has been implemented by the S.C. Department of Social Services (DSS).

S.C. Code §43-5-1285 requires the LAC to report on three measures:

- The number of families and individuals no longer receiving welfare.
- The number of individuals who have completed educational, employment, or training programs.
- The number of individuals who have become employed and the duration of their employment.

State law also requires the LAC to report on other data and information the council considers appropriate in reporting to the General Assembly on the effectiveness of this act.

MAY 2011

During our audit of the Family Independence (FI) program, we reported on the three measures regarding the FI program. We reviewed documents concerning the agency's loss of state and federal funds and projected expenditures that resulted in the agency requesting permission to operate with a budget deficit. We also reported that the agency depleted its rainy day fund of approximately $45 million by 2001, funds that could have been used in case of a budget crisis. In addition, we examined current nonessential service contracts DSS is funding that could have been eliminated to offset the size of the projected deficit.

Data About Family Independence Recipients

We reviewed data for years 2008 and 2009 and found that the majority of FI recipients were children (74%), 25% of the recipients were work-eligible adults, and 1% were disabled adults. The total welfare caseload in December 2009 was 20,453 and increased to 21,111 in January 2010. Caseloads peaked by October 2010 at 21,691, but decreased to 20,747 by January 2011.

From January 2008 through December 2009, 81,458 welfare cases were closed, with the most frequently documented reason for closure being earned income, followed closely by voluntary withdrawals. Approximately 23% of FI recipients whose cases closed due to earned income returned to the FI program within one year.

DSS met its annual average participate rate of 50% for both years. For the period of review, FI clients obtained 11,030 full-time and 11,053 part-time jobs, and the average hourly wage for full-time jobs was $7.72.

Status of Previous LAC Recommendations

In previous audits, we recommended that S.C. Code §43-5-1285 be amended to require the LAC to report on the number of FI recipients *participating* in educational, employment, and training programs instead of those *completing* since participation is what is reported by DSS to the federal government. The General Assembly has not amended the law.

We also recommended that DSS include more meaningful measures regarding the Family Independence program in its accountability reports. While DSS has provided improved measures to the LAC, these measures have not been reported in the agency's accountability report.

FOR MORE INFORMATION

Our full report, including comments from relevant agencies, is published on the Internet. Copies can also be obtained by contacting our office.

LAC.SC.GOV

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PROJECTED BUDGET DEFICIT AND COST SAVINGS NOT CONSIDERED

In 2002, we reported that DSS had depleted its Family Independence program rainy day reserves of approximately $45 million, primarily by issuing sole-source contracts to nonprofit entities for services to low-income citizens. We reported that "unspent TANF funds have all been obligated, and the state has no 'rainy day' fund in the event caseload increases would require more funds for basic cash assistance to recipients."

In September 2010, DSS notified the Office of State Budget that the agency could run a deficit as high as $52 million. State law requires agencies to "develop a plan, in consultation with the board, which eliminates or reduces a deficit." In October 2010, DSS stated that it had done everything possible to reduce expenditures. In November 2010, after working with the staff of the Office of State Budget, DSS submitted a deficit management plan and asked for permission to operate with a $28.8 million deficit. The plan, however, did not account for all cost-cutting measures that were implemented in FY 10-11. Savings that had been implemented in FY 10-11 were not included in the agency's deficit reduction calculations.

We found additional cost-saving measures that could have been implemented. For example, if the agency had implemented staff furloughs during FY 10-11, it could have saved an additional $2.8 million. Also, we found that DSS has continued to contract for "nonessential" services. If these contracts were eliminated, an additional $1.5 million could be saved.

In February 2011, new DSS management withdrew its request to operate with a $28.8 million deficit. We examined documents explaining the elimination of the agency's projected deficit which DSS submitted to the Office of State Budget and a Senate Judiciary Subcommittee charged with examining the agency's deficit. According to these documents, DSS was able to eliminate a projected budget deficit, in part, by more accurately projecting cost-saving measures enacted in the previous fiscal year.

DSS reported it had sufficient data to lessen the estimated projected deficit by $16.8 million. The reduced expenditures included savings from cancelled contracts for transportation, job training, and teen pregnancy prevention services in FY 08-09 and FY 09-10. It is unclear why previous management did not immediately count these savings. Also, the agency projected $5.7 million in savings by no longer allowing certain clients to obtain childcare paid with DSS funds since they no longer met criteria to receive the services. This cost control was instituted by the previous administration; however, savings were not counted until 2011. Lastly, TANF caseloads were shrinking, resulting in $1.3 million in projected savings.

Effective February 2011, DSS reduced stipends to FI clients by 20%, meaning that a family of three's monthly cash assistance decreased from $271 to $216. Implementing staff furloughs and eliminating nonessential contracts could have reduced the projected deficit by approximately $4 million or prevented the agency from reducing the TANF stipend in FY 10-11.